



MAGARENG MUNICIPALITY
Demarcation Code NC093
Financial statements
for the year ended 30 June 2013

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

General Information

| | |
|--|--|
| Legal form of entity | Municipality |
| Nature of business and principal activities | Local municipality performing the functions as set out in the Constitution, Act no 105 of 1996) |
| Mayoral committee | |
| Executive Mayor | Mrs GE Manopole |
| Councillors | Mrs OM Majola Mr J Louw Mrs BV Ximba Mr MR Moleko Mr WJ Potgieter Mr SP Mqathula Mrs EM Hans Mr WD Jones |
| Grading of local authority | Low Capacity (B) |
| Chief Finance Officer (CFO) | H Oberholzer |
| Accounting Officer | JTF Leeuw |
| Registered office | Magrieta Prinsloo Street Warrenton 8530 |
| Business address | Magrieta Prinsloo Street Warrenton 8530 |
| Postal address | PO Box 10 Warrenton 8530 |
| Bankers | First National Bank, Warrenton |
| Auditors | The Auditor-General of South Africa |
| Level of assurance | These financial statements have been audited in compliance with the applicable requirements of the Municipal Finance Management Act (Act 56 of 2003) |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

General Information

Relevant Legislation

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act (Act No 5 of 2012)
The Income Tax Act (Act No 28 of 1997)
Value Added Tax Act (Act No 89 of 1991)
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Electricity Act (Act no 41 of 1987)
Municipal Property Rates Act (Act No 6 of 2004)
Employment Equity Act (Act no 55 of 1998)
Skills Development Act (Act no 9 of 1999)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

| Index | Page |
|---|-------------|
| Accounting Officer's Responsibilities and Approval | 4 |
| Report of the Auditor General | 5 |
| Statement of Financial Position | 6 |
| Statement of Financial Performance | 7 |
| Statement of Changes in Net Assets | 8 |
| Cash Flow Statement | 9 |
| Statement of Comparison of Budget and Actual Amounts | 9 |
| Accounting Policies | 11 - 27 |
| Notes to the Financial Statements | 28 - 54 |
| Appendixes: | |
| Appendix A: Schedule of External loans | 55 |
| Appendix B: Analysis of Property, Plant and Equipment | 56 |
| Appendix D: Segmental Statement of Financial Performance | 59 |
| Appendix E(1): Actual versus Budget (Revenue and Expenditure) | 60 |
| Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment) | 61 |
| Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act | 62 |

Abbreviations

| | |
|---------|--|
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| IAS | International Accounting Standards |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is partly dependent on the Frances Baard District Municipality for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Frances Baard District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the financial department are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 6 to 54, which have been prepared on the going concern basis, were approved by the Accounting Officer on 01 October 2013 and were signed by:

Accounting Officer
Mr JTF Leeuw

Mr H Oberholzer (Chief Financial Officer)

Warrenton

01 October 2013

Report of the Auditor General

To the Provincial Legislature of MAGARENG MUNICIPALITY

Report on the financial statements

The Auditor-General of South Africa

01 October 2013

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

| Figures in Rand | Note(s) | 2013 | 2012 |
|--|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 125 860 | 1 089 135 |
| Consumer debtors | 4 | 4 614 552 | 2 253 405 |
| Inventories | 5 | 697 561 | 34 465 |
| Receivables from exchange transactions | 6 | 63 778 | 62 570 |
| Receivables from non-exchange transactions | 7 | 265 399 | 429 485 |
| VAT receivable | 8 | 12 258 812 | 9 477 537 |
| | | 18 025 962 | 13 346 597 |
| Non-Current Assets | | | |
| Intangible assets | 9 | 475 100 | 554 247 |
| Investment property | 10 | 6 763 444 | 6 805 174 |
| Operating lease asset | 11 | 18 710 | 13 453 |
| Property, plant and equipment | 12 | 240 446 205 | 168 808 227 |
| | | 247 703 459 | 176 181 101 |
| Total Assets | | 265 729 421 | 189 527 698 |
| Liabilities | | | |
| Current Liabilities | | | |
| Bank overdraft | 3 | - | 420 637 |
| Consumer deposits | 13 | 584 370 | 567 846 |
| Payables from exchange transactions | 14 | 46 614 642 | 37 824 131 |
| Unspent conditional grants and receipts | 15 | 19 280 573 | 17 400 441 |
| | | 66 479 585 | 56 213 055 |
| Non-Current Liabilities | | | |
| Finance lease obligation | 16 | 556 984 | - |
| Provisions | 17 | 2 335 336 | - |
| Retirement benefit obligation | 18 | 7 882 615 | 7 110 781 |
| | | 10 774 935 | 7 110 781 |
| Total Liabilities | | 77 254 520 | 63 323 836 |
| Net Assets | | 188 474 901 | 126 203 862 |
| Accumulated surplus | | 188 474 901 | 126 203 862 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

| Figures in Rand | Note(s) | 2013 | 2012 |
|------------------------------------|---------|---------------------|----------------------|
| Revenue | | | |
| Service charges | 21 | 20 855 453 | 17 847 186 |
| Rental of facilities and equipment | 23 | 46 261 | 61 311 |
| Licences and permits | | 429 492 | 362 879 |
| Miscellaneous other revenue | | 891 297 | 346 380 |
| Interest received - investment | | 6 138 722 | 6 623 238 |
| Property rates | 23 | 3 616 610 | 3 530 073 |
| Government grants & subsidies | 30 | 50 662 232 | 42 468 294 |
| Fines | | 874 662 | 160 172 |
| Total revenue | | 83 514 729 | 71 399 533 |
| Expenditure | | | |
| Personnel | 24 | (25 125 479) | (22 429 794) |
| Remuneration of councillors | 25 | (2 593 869) | (2 395 903) |
| Depreciation and amortisation | 26 | (10 117 070) | (10 375 294) |
| Finance costs | | (1 001 671) | (1 016 705) |
| Debt impairment | 27 | (13 202 444) | (50 833 202) |
| Repairs and maintenance | | (4 989 832) | (1 434 514) |
| Bulk purchases | 28 | (15 911 794) | (13 797 776) |
| Contracted services | 29 | (522 859) | (570 822) |
| Grants and subsidies paid | 34 | (5 315 416) | (2 946 874) |
| General Expenses | 31 | (8 884 110) | (10 868 252) |
| Total expenditure | | (87 664 544) | (116 669 136) |
| Operating deficit | | (4 149 815) | (45 269 603) |
| Actuarial Gain | | 195 663 | 178 110 |
| Deficit for the year | | (3 954 152) | (45 091 493) |
| Attributable to: | | | |
| Owners of the controlling entity | | (3 954 152) | (45 091 493) |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---------------------|--------------------|
| Opening balance as previously reported | 173 903 315 | 173 903 315 |
| Adjustments | | |
| Correction of errors | (2 607 960) | (2 607 960) |
| Balance at 01 July 2011 as restated | 171 295 355 | 171 295 355 |
| Changes in net assets | | |
| Surplus for the year | (45 091 493) | (45 091 493) |
| Total changes | (45 091 493) | (45 091 493) |
| Balance at 01 July 2012 | 126 203 865 | 126 203 865 |
| Changes in net assets | | |
| Assets not previously included in Asset Register | 66 225 188 | 66 225 188 |
| Net surplus (deficit) recognised directly in net assets | 66 225 188 | 66 225 188 |
| Surplus for the year | (3 954 152) | (3 954 152) |
| Total recognised income and expenses for the year | 62 271 036 | 62 271 036 |
| Total changes | 62 271 036 | 62 271 036 |
| Balance at 30 June 2013 | 188 474 901 | 188 474 901 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Cash Flow Statement

| Figures in Rand | Note(s) | 2013 | 2012 |
|---|---------|---------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 8 219 367 | 2 876 592 |
| Grants | | 52 542 364 | 45 559 345 |
| Interest income | | 6 138 722 | 6 623 238 |
| | | 66 900 453 | 55 059 175 |
| Payments | | | |
| Employee costs | | (27 719 348) | (24 825 697) |
| Suppliers | | (24 065 737) | (21 789 117) |
| Finance costs | | (1 001 671) | (1 016 705) |
| | | (52 786 756) | (47 631 519) |
| Net cash flows from operating activities | 35 | 14 113 697 | 7 427 656 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 12 | (15 408 982) | (11 992 557) |
| Purchase of financial assets | | - | 5 402 659 |
| Net cash flows from investing activities | | (15 408 982) | (6 589 898) |
| Cash flows from financing activities | | | |
| Proceeds from other financial liabilities | | 195 663 | 37 649 |
| Finance lease payments | | (8 623) | - |
| Finance lease receipts | | 565 607 | - |
| Net cash flows from financing activities | | 752 647 | 37 649 |
| Net increase/(decrease) in cash and cash equivalents | | (542 638) | 875 407 |
| Cash and cash equivalents at the beginning of the year | | 668 498 | (206 909) |
| Cash and cash equivalents at the end of the year | 3 | 125 860 | 668 498 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|-------------|--------------|--|---|-----------|
|--|--------------------|-------------|--------------|--|---|-----------|

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

| | | | | | |
|---|-------------------|------------------|-------------------|-------------------|--------------------|
| Service charges | 21 028 695 | 2 413 044 | 23 441 739 | 20 855 453 | (2 586 286) |
| Rental of facilities and equipment | 45 000 | - | 45 000 | 46 261 | 1 261 |
| Income from agency services | 13 250 | - | 13 250 | - | (13 250) |
| Licences and permits | 425 750 | - | 425 750 | 429 492 | 3 742 |
| Miscellaneous other revenue | 64 803 | 2 | 64 805 | 891 297 | 826 492 |
| Interest received - investment | 7 252 500 | - | 7 252 500 | 6 138 722 | (1 113 778) |
| Total revenue from exchange transactions | 28 829 998 | 2 413 046 | 31 243 044 | 28 361 225 | (2 881 819) |

Revenue from non-exchange transactions

Taxation revenue

| | | | | | |
|-------------------------------|------------|---|------------|------------|-----------|
| Property rates | 4 269 402 | - | 4 269 402 | 3 616 610 | (652 792) |
| Government grants & subsidies | 48 211 000 | - | 48 211 000 | 50 662 232 | 2 451 232 |

Transfer revenue

| | | | | | |
|-------|---------|---|---------|---------|---------|
| Fines | 750 250 | - | 750 250 | 874 662 | 124 412 |
|-------|---------|---|---------|---------|---------|

| | | | | | |
|---|-------------------|----------|-------------------|-------------------|------------------|
| Total revenue from non-exchange transactions | 53 230 652 | - | 53 230 652 | 55 153 504 | 1 922 852 |
|---|-------------------|----------|-------------------|-------------------|------------------|

| | | | | | |
|----------------------|-------------------|------------------|-------------------|-------------------|------------------|
| Total revenue | 82 060 650 | 2 413 046 | 84 473 696 | 83 514 729 | (958 967) |
|----------------------|-------------------|------------------|-------------------|-------------------|------------------|

Expenditure

| | | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|------------|
| Personnel | (25 457 503) | (2 378 512) | (27 836 015) | (25 125 479) | 2 710 536 |
| Remuneration of councillors | (3 256 274) | (222 054) | (3 478 328) | (2 593 869) | 884 459 |
| Depreciation and amortisation | (10 274 888) | (5 335) | (10 280 223) | (10 117 070) | 163 153 |
| Finance costs | (160 000) | - | (160 000) | (1 001 671) | (841 671) |
| Debt impairment | (54 395 986) | - | (54 395 986) | (13 202 444) | 41 193 542 |
| Repairs and maintenance | (1 335 000) | (4 611 646) | (5 946 646) | (4 989 832) | 956 814 |
| Bulk purchases | (15 278 741) | - | (15 278 741) | (15 911 794) | (633 053) |
| Contracted Services | (600 000) | 24 000 | (576 000) | (522 859) | 53 141 |
| Grants and subsidies paid | (3 808 000) | (13 099 000) | (16 907 000) | (5 315 416) | 11 591 584 |
| General Expenses | (18 537 650) | (15 512 047) | (34 049 697) | (8 884 110) | 25 165 587 |

| | | | | | |
|--------------------------|----------------------|---------------------|----------------------|---------------------|-------------------|
| Total expenditure | (133 104 042) | (35 804 594) | (168 908 636) | (87 664 544) | 81 244 092 |
|--------------------------|----------------------|---------------------|----------------------|---------------------|-------------------|

| | | | | | |
|--------------------------|---------------------|---------------------|---------------------|--------------------|-------------------|
| Operating deficit | (51 043 392) | (33 391 548) | (84 434 940) | (4 149 815) | 80 285 125 |
|--------------------------|---------------------|---------------------|---------------------|--------------------|-------------------|

| | | | | | |
|----------------|---|---|---|---------|---------|
| Actuarial Gain | - | - | - | 195 663 | 195 663 |
|----------------|---|---|---|---------|---------|

| | | | | | |
|--------------------------------|---------------------|---------------------|---------------------|--------------------|-------------------|
| Deficit before taxation | (51 043 392) | (33 391 548) | (84 434 940) | (3 954 152) | 80 480 788 |
|--------------------------------|---------------------|---------------------|---------------------|--------------------|-------------------|

| | | | | | |
|--|---------------------|---------------------|---------------------|--------------------|-------------------|
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | (51 043 392) | (33 391 548) | (84 434 940) | (3 954 152) | 80 480 788 |
|--|---------------------|---------------------|---------------------|--------------------|-------------------|

Reconciliation

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

| Item | Useful life |
|----------------------|-------------|
| Property - land | indefinite |
| Property - buildings | 30 years |

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life |
|----------------------------------|---------------------|
| Land | Indefinite |
| Buildings | 30 Years |
| Furniture and fixtures | 2 - 30 Years |
| Motor vehicles | |
| • Specialised Vehicles | 3 - 60 Years |
| • Other Vehicles | 3 - 30 Years |
| Office equipment | 3 - 25 Years |
| IT equipment | 3 - 20 Years |
| Computer software | |
| • Software cost | 10 years |
| • Software Licences | 1 Year |
| Infrastructure | |
| • Roads and Paving | 5 - 100 Years |
| • Electricity , Water & Sewerage | 10 - 100 Years |
| Community | |
| • Buildings | 10 - 100 Years |
| • Recreational Facilities | 20 - 100 Years |
| • Other Assets | 10 - 100 Years |
| Leased Assets | 3 Years |

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| | |
|--------------------------|----------|
| Computer software, other | 10 years |
|--------------------------|----------|

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straightline basis over the lease term where the lease amount is predetermined. Where lease amounts are not known in advance the lease income is recognised when it is received or determinable..

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Inventories (continued)

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and .

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.10 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.19 Presentation of currency

These financial statements are presented in South African Rand.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.21 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2012 to 30/06/2013.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|--|------------------|
| • GRAP 23: Revenue from Non-exchange Transactions | 01 April 2012 | Significant |
| • GRAP 24: Presentation of Budget Information in the Financial Statements | 01 April 2012 | Significant |
| • GRAP 103: Heritage Assets | 01 April 2012 | Low/None |
| • GRAP 21: Impairment of non-cash-generating assets | 01 April 2012 | Low |
| • GRAP 26: Impairment of cash-generating assets | 01 April 2012 | Low |
| • GRAP 104: Financial Instruments | 01 April 2012 | Significant |

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|------------------|
| • GRAP 18: Segment Reporting | 01 April 2013 | Significant |
| • GRAP 25: Employee benefits | 01 April 2013 | Significant |
| • GRAP 105: Transfers of functions between entities under common control | 01 April 2014 | Low |
| • GRAP 106: Transfers of functions between entities not under common control | 01 April 2014 | Low |
| • GRAP 107: Mergers | 01 April 2014 | Low |
| • GRAP 20: Related parties | 01 April 2013 | Significant |
| • IGRAP 11: Consolidation – Special purpose entities | 01 April 2014 | Low |
| • IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures | 01 April 2014 | Low |
| • GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements | 01 April 2014 | Low |
| • GRAP 7 (as revised 2010): Investments in Associates | 01 April 2014 | Low |
| • GRAP 8 (as revised 2010): Interests in Joint Ventures | 01 April 2014 | Low |
| • GRAP 1 (as revised 2012): Presentation of Financial Statements | 01 April 2013 | Significant |
| • GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors | 01 April 2013 | Significant |
| • GRAP 7 (as revised 2012): Investments in Associates | 01 April 2013 | Low |
| • GRAP 9 (as revised 2012): Revenue from Exchange Transactions | 01 April 2013 | Significant |
| • GRAP 12 (as revised 2012): Inventories | 01 April 2013 | Significant |
| • GRAP 13 (as revised 2012): Leases | 01 April 2013 | Significant |
| • GRAP 16 (as revised 2012): Investment Property | 01 April 2013 | Significant |
| • GRAP 17 (as revised 2012): Property, Plant and Equipment | 01 April 2013 | Significant |
| • GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101) | 01 April 2013 | Low |
| • GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102) | 01 April 2013 | Significant |
| • IGRAP16: Intangible assets website costs | 01 April 2013 | Significant |
| • IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue | 01 April 2013 | Significant |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

3. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|----------------|----------------|----------------|
| Cash on hand | 1 000 | 1 000 |
| Bank balances | 124 860 | 1 088 135 |
| Bank overdraft | - | (420 637) |
| | 125 860 | 668 498 |

| | | |
|---------------------|----------------|----------------|
| Current assets | 125 860 | 1 089 135 |
| Current liabilities | - | (420 637) |
| | 125 860 | 668 498 |

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating

| | | |
|--------|---------|-----------|
| BAA(1) | 124 860 | 1 088 135 |
|--------|---------|-----------|

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|-------------------------|------------------|------------------|--------------------|----------------|------------------|
| | 30 June 2013 | 30 June 2012 | 30 June 2011 | 30 June 2013 | 30 June 2012 | 30 June 2011 |
| FNB - Current Account 62314181075 | 124 860 | 856 971 | - | 124 860 | (420 637) | - |
| ABSA BANK - Current Account 2290000036 | - | 241 491 | 1 540 152 | - | 1 088 135 | (207 909) |
| Total | 124 860 | 1 098 462 | 1 540 152 | 124 860 | 667 498 | (207 909) |

4. Consumer debtors

Gross balances

| | | |
|-----------------|-------------------|-------------------|
| Rates | 10 303 885 | 12 451 080 |
| Electricity | 10 910 885 | 7 789 710 |
| Water | 13 836 857 | 17 785 784 |
| Sewerage | 10 490 412 | 13 025 568 |
| Refuse | 9 756 372 | 12 016 002 |
| Housing rental | 15 757 | 13 884 |
| Other (specify) | 23 723 280 | 23 533 539 |
| | 79 037 448 | 86 615 567 |

Less: Allowance for impairment

| | | |
|------------------------|---------------------|---------------------|
| Rates | (10 037 509) | (12 127 150) |
| Electricity | (8 300 372) | (7 587 053) |
| Water | (13 439 811) | (17 323 066) |
| Sewerage | (10 330 757) | (12 686 693) |
| Refuse | (9 574 481) | (11 703 392) |
| Housing rental | (5 323) | (13 522) |
| Interest, VAT & Sundry | (22 734 643) | (22 921 286) |
| | (74 422 896) | (84 362 162) |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|--|------------------|------------------|
| 4. Consumer debtors (continued) | | |
| Net balance | | |
| Rates | 266 376 | 323 930 |
| Electricity | 2 610 513 | 202 657 |
| Water | 397 046 | 462 718 |
| Sewerage | 159 655 | 338 875 |
| Refuse | 181 891 | 312 610 |
| Housing rental | 10 434 | 362 |
| Interest, VAT & Sundry | 988 637 | 612 253 |
| | 4 614 552 | 2 253 405 |
| Included in above is receivables from exchange transactions | | |
| Electricity | 2 610 513 | 202 657 |
| Water | 397 046 | 462 718 |
| Sewerage | 159 655 | 338 875 |
| Refuse | 181 891 | 312 610 |
| Housing rental | 10 434 | 362 |
| | 3 359 539 | 1 317 222 |
| Included in above is receivables from non-exchange transactions (taxes and transfers) | | |
| Rates | 266 376 | 323 930 |
| Interest, VAT & Sundry | 988 637 | 612 253 |
| | 1 255 013 | 936 183 |
| Net balance | 4 614 552 | 2 253 405 |
| Rates | | |
| Current (0 -30 days) | 266 376 | 323 930 |
| Electricity | | |
| Current (0 -30 days) | 2 188 503 | 202 657 |
| 31 - 60 days | 422 010 | - |
| | 2 610 513 | 202 657 |
| Water | | |
| Current (0 -30 days) | 397 046 | 462 718 |
| Sewerage | | |
| Current (0 -30 days) | 159 655 | 328 550 |
| 31 - 60 days | - | 10 325 |
| | 159 655 | 338 875 |
| Refuse | | |
| Current (0 -30 days) | 181 891 | 312 610 |
| Housing rental | | |
| Current (0 -30 days) | 10 434 | 362 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|--|----------------|----------------|
| 4. Consumer debtors (continued) | | |
| Interest, VAT & Sundry | | |
| Current (0 -30 days) | 729 872 | 612 253 |
| 31 - 60 days | 56 860 | - |
| 61 - 90 days | 87 346 | - |
| 91 - 120 days | 8 603 | - |
| 121 - 365 days | 105 956 | - |
| | 988 637 | 612 253 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|--|------------------|------------------|
| 4. Consumer debtors (continued) | | |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 3 912 450 | 2 058 865 |
| 31 - 60 days | 1 996 518 | 1 417 855 |
| 61 - 90 days | 1 984 777 | 1 378 656 |
| 91 - 120 days | 1 710 671 | 1 322 802 |
| 121 - 365 days | 13 490 720 | 11 836 752 |
| > 365 days | 51 112 536 | 64 883 959 |
| | 74 207 672 | 82 898 889 |
| Less: Allowance for impairment | (70 285 572) | (80 975 689) |
| | 3 922 100 | 1 923 200 |
| Industrial/ commercial | | |
| Current (0 -30 days) | 430 885 | 323 104 |
| 31 - 60 days | 205 854 | 160 154 |
| 61 - 90 days | 163 891 | 134 875 |
| 91 - 120 days | 174 368 | 137 216 |
| 121 - 365 days | 727 181 | 495 457 |
| > 365 days | 1 278 640 | 1 114 952 |
| | 2 980 819 | 2 365 758 |
| Less: Allowance for impairment | (2 515 960) | (2 070 381) |
| | 464 859 | 295 377 |
| National and provincial government | | |
| Current (0 -30 days) | 146 861 | 120 111 |
| 31 - 60 days | 146 156 | 100 550 |
| 61 - 90 days | 120 696 | 89 627 |
| 91 - 120 days | 109 858 | 69 822 |
| 121 - 365 days | 747 386 | 514 541 |
| > 365 days | 578 000 | 456 268 |
| | 1 848 957 | 1 350 919 |
| Less: Allowance for impairment | (1 621 364) | (1 316 092) |
| | 227 593 | 34 827 |
| Total | | |
| Current (0 -30 days) | 4 490 196 | 2 502 080 |
| 31 - 60 days | 2 348 528 | 1 678 560 |
| 61 - 90 days | 2 269 364 | 1 603 158 |
| 91 - 120 days | 1 994 897 | 1 529 841 |
| 121 - 365 days | 14 965 287 | 12 846 749 |
| > 365 days | 52 969 176 | 66 455 179 |
| | 79 037 448 | 86 615 567 |
| Less: Allowance for impairment | (74 422 896) | (84 362 162) |
| | 4 614 552 | 2 253 405 |
| Less: Allowance for impairment | | |
| Impairment based on the provisions of IAS39 | (74 422 896) | (84 362 162) |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

4. Consumer debtors (continued)

Reconciliation of allowance for impairment

| | | |
|----------------------------------|---------------------|---------------------|
| Balance at beginning of the year | (84 362 162) | (30 368 470) |
| Contributions to allowance | - | (53 993 692) |
| Reversal of allowance | 9 939 266 | - |
| | (74 422 896) | (84 362 162) |

5. Inventories

| | | |
|-----------------------------|----------------|---------------|
| Maintenance materials | 599 345 | - |
| Water | 25 348 | 34 465 |
| Stores, materials and fuels | 72 868 | - |
| | 697 561 | 34 465 |

Inventory pledged as security

Inventory was not fully counted in previous years and thus no comparative could be provided for Maintenance material and Chemical Stock.

6. Receivables from exchange transactions

| | | |
|---------------|---------------|---------------|
| Trade debtors | 11 651 | - |
| Deposits | 52 127 | 62 570 |
| | 63 778 | 62 570 |

7. Receivables from non-exchange transactions

| | | |
|---|---------|---------|
| Other receivables from non-exchange revenue | 265 399 | 429 485 |
|---|---------|---------|

8. VAT receivable

| | | |
|-----|------------|-----------|
| VAT | 12 258 812 | 9 477 537 |
|-----|------------|-----------|

The input VAT in various periods have been queried by SARS and as a result has not been paid out. The municipality is currently in a process to compile all the necessary supporting documentation in order to resolve the matter and get the refunds paid out. The oldest query goes back as far as 2010.

9. Intangible assets

| | 2013 | | | 2012 | | |
|--------------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 791 472 | (316 372) | 475 100 | 791 472 | (237 225) | 554 247 |

Reconciliation of intangible assets - 2013

| | Opening balance | Amortisation | Total |
|--------------------------|--------------------|--------------|---------|
| Computer software, other | 554 247 | (79 147) | 475 100 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

9. Intangible assets (continued)

Reconciliation of intangible assets - 2012

| | Opening balance | Amortisation | Total |
|--------------------------|-----------------|--------------|---------|
| Computer software, other | 633 394 | (79 147) | 554 247 |

Pledged as security

No intangible assets pledged as security:

10. Investment property

| | 2013 | | | 2012 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 6 972 351 | (208 907) | 6 763 444 | 6 972 351 | (167 177) | 6 805 174 |

Reconciliation of investment property - 2013

| | Opening balance | Transfers | Depreciation | Total |
|---------------------|-----------------|-----------|--------------|-----------|
| Investment property | 6 805 174 | - | (41 730) | 6 763 444 |

Reconciliation of investment property - 2012

| | Opening balance | Transfers | Depreciation | Total |
|---------------------|-----------------|-----------|--------------|-----------|
| Investment property | - | 6 846 904 | (41 730) | 6 805 174 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Operating lease asset (accrual)

| | | |
|--------------------|---------------|---------------|
| Non-current assets | 18 710 | 13 453 |
| | 18 710 | 13 453 |

This relates to a 10 year lease agreement with MTN as Lessee for land on which a cell phone tower was erected. This lease commenced in October 2010 and escalates at 8% per year.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

12. Property, plant and equipment

| | 2013 | | | 2012 | | |
|--|---------------------|---|--------------------|---------------------|---|--------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 9 290 884 | - | 9 290 884 | 9 290 884 | - | 9 290 884 |
| Buildings | 6 239 575 | (1 033 717) | 5 205 858 | 6 239 575 | (810 684) | 5 428 891 |
| Infrastructure | 300 574 812 | (82 787 015) | 217 787 797 | 315 794 636 | (168 121 222) | 147 673 414 |
| Community | 4 322 218 | (377 753) | 3 944 465 | 4 074 558 | (279 571) | 3 794 987 |
| Other property, plant and equipment | 9 008 268 | (5 337 084) | 3 671 184 | 6 932 376 | (4 312 325) | 2 620 051 |
| Leased Assets | 565 607 | (19 590) | 546 017 | - | - | - |
| Total | 330 001 364 | (89 555 159) | 240 446 205 | 342 332 029 | (173 523 802) | 168 808 227 |

Reconciliation of property, plant and equipment - 2013

| | Opening balance | Additions | Transfers | Other changes, movements | Depreciation | Total |
|--|--------------------|-------------------|-----------|--------------------------------|--------------------|--------------------|
| Land | 9 290 884 | - | - | - | - | 9 290 884 |
| Buildings | 5 428 891 | - | - | - | (223 033) | 5 205 858 |
| Infrastructure | 147 673 414 | 13 063 044 | - | 65 681 972 | (8 630 633) | 217 787 797 |
| Community | 3 794 987 | - | - | 247 660 | (98 182) | 3 944 465 |
| Other property, plant and equipment | 2 620 051 | 1 780 331 | - | 295 561 | (1 024 759) | 3 671 184 |
| Leased Assets | - | 565 607 | - | - | (19 590) | 546 017 |
| | 168 808 227 | 15 408 982 | - | 66 225 193 | (9 996 197) | 240 446 205 |

Reconciliation of property, plant and equipment - 2012

| | Opening balance | Additions | Transfers | Other changes, movements | Depreciation | Total |
|--|--------------------|-------------------|--------------------|--------------------------------|---------------------|--------------------|
| Land | 16 282 834 | - | (6 990 950) | (1 000) | - | 9 290 884 |
| Buildings | 9 974 397 | 54 661 | (3 532 970) | (852 334) | (214 863) | 5 428 891 |
| Infrastructure | 146 615 622 | 11 547 372 | (149 137) | (1 244 605) | (9 095 838) | 147 673 414 |
| Community | - | - | 3 826 153 | - | (31 166) | 3 794 987 |
| Other property, plant and equipment | 4 411 375 | 390 524 | - | (1 336 314) | (845 534) | 2 620 051 |
| | 177 284 228 | 11 992 557 | (6 846 904) | (3 434 253) | (10 187 401) | 168 808 227 |

Pledged as security

No assets were pledged as security.

Assets subject to finance lease (Net carrying amount)

| | | |
|---------------|---------|---|
| Leased Assets | 546 017 | - |
|---------------|---------|---|

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|------------------------------|----------------|----------------|
| 13. Consumer deposits | | |
| Electricity | 84 467 | 74 635 |
| Water | 499 903 | 493 211 |
| | 584 370 | 567 846 |

14. Payables from exchange transactions

| | | |
|---|-------------------|-------------------|
| Trade payables | 38 959 627 | 32 047 985 |
| Payments received in advanced from consumer debtors | 1 676 192 | 1 594 062 |
| Accrued leave pay | 2 742 547 | 2 105 032 |
| Accrued bonus | 678 441 | 616 790 |
| Deposits received | 16 809 | 13 666 |
| Salary deductions and unknown deposits on bank statements | 2 480 966 | 1 446 596 |
| Outstanding cheques transferred from cash book | 60 060 | - |
| | 46 614 642 | 37 824 131 |

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|--|-------------------|-------------------|
| Municipal Infrastructure Grant | 14 085 056 | 11 246 321 |
| Frances Baard District Municipality Grant | 578 726 | 578 726 |
| Provincial Infrastructure Grant | 3 005 723 | 3 005 723 |
| Library Development Grant | 441 129 | 411 817 |
| Expanded Public Works Program (EPWP) Grant | 1 169 939 | 2 157 854 |
| | 19 280 573 | 17 400 441 |

Movement during the year

| | | |
|--------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year | 17 400 441 | 15 097 147 |
| Additions during the year | 52 542 364 | 45 559 345 |
| Income recognition during the year | (50 662 232) | (43 256 051) |
| | 19 280 573 | 17 400 441 |

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 30 for reconciliation of grants from National/Provincial Government.

These amounts are not invested in a ring-fenced investment until utilised as the cash flow position of the municipality has prevented this.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|--|----------------|----------|
| 16. Finance lease obligation | | |
| Minimum lease payments due | | |
| - within one year | 156 100 | - |
| - in second to fifth year inclusive | 501 888 | - |
| | 657 988 | - |
| less: future finance charges | (101 004) | - |
| Present value of minimum lease payments | 556 984 | - |
| Present value of minimum lease payments due | | |
| - within one year | 111 391 | - |
| - in second to fifth year inclusive | 445 593 | - |
| | 556 984 | - |

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2012: -%).

Interest rates are 8.5% at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

| | | |
|------|---------|---|
| Rand | 556 984 | - |
|------|---------|---|

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note .

The fair value of finance lease liabilities approximates their carrying amounts.

17. Provisions

Reconciliation of provisions - 2013

| | Opening Balance | Additions | Total |
|------------------------------|--------------------|-----------|-----------|
| Environmental rehabilitation | - | 2 335 336 | 2 335 336 |

Reconciliation of provisions - 2012

Environmental rehabilitation provision

During the year the landfill site that the municipality uses was transferred back to it from the Francis Baard District Municipality. This meant that the responsibility to rehabilitate the land at the end of the useful life of the landfill site will vest in the municipality. A provision for the estimated cost in today's terms has been made and this provision will be annually reviewed after providing an annual interest factor. It is expected that this liability will be settled in 15 years' time.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

18. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by finding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is liable for a certain portion of the medical aid membership fee. The municipality operates as unfunded defined benefit plan for these qualifying employees. No other postretirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by ARCH Actuarial Consulting CC. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

The amounts recognised in the statement of financial position are as follows:

Carrying value

| | | |
|---|-------------|-------------|
| Present value of the defined benefit obligation - Wholly unfunded | (7 882 615) | (7 110 781) |
|---|-------------|-------------|

The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

| | | |
|--|------------------|------------------|
| Opening balance | 7 110 781 | 6 263 737 |
| Benefits paid | (183 197) | (188 176) |
| Net expense recognised in the statement of financial performance | 955 031 | 1 035 220 |
| | 7 882 615 | 7 110 781 |

Net expense recognised in the statement of financial performance

| | | |
|--------------------------|----------------|------------------|
| Current service cost | 614 333 | 566 180 |
| Interest cost | 536 361 | 647 150 |
| Actuarial (gains) losses | (195 663) | (178 110) |
| | 955 031 | 1 035 220 |

Calculation of actuarial gains and losses

| | | |
|---------------------------------------|-----------|-----------|
| Actuarial (gains) losses – Obligation | (195 663) | (178 110) |
|---------------------------------------|-----------|-----------|

Key assumptions used

Assumptions used at the reporting date:

| | | |
|---------------------------------------|--------|--------|
| Discount rates used | 8.03 % | 8.03 % |
| Expected increase in healthcare costs | 6.99 % | 6.99 % |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

18. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

| | One percentage point increase | One percentage point decrease |
|--------------------------------------|-------------------------------------|--|
| Effect on defined benefit obligation | 6 850 000 | 4 900 000 |

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its permanent employees. A number of defined contribution pension funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

Cape Joint Pension Fund

The reason why sufficient information is not available to enable the municipality to account for the plan as a defined benefit plan is that the fund administrator claim that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Other defined contribution plans

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

19. Financial instruments disclosure

20. Revenue

| | | |
|---|-------------------|-------------------|
| Service charges | 20 855 453 | 17 847 186 |
| Rental of facilities and equipment | 46 261 | 61 311 |
| Licences and permits | 429 492 | 362 879 |
| Miscellaneous other revenue | 891 297 | 346 380 |
| Interest received - investment & consumer debtors | 6 138 722 | 6 623 238 |
| Property rates | 3 616 610 | 3 530 073 |
| Government grants & subsidies | 50 662 232 | 42 468 294 |
| Fines | 874 662 | 160 172 |
| | 83 514 729 | 71 399 533 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|---|-------------------|-------------------|
| 20. Revenue (continued) | | |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Service charges | 20 855 453 | 17 847 186 |
| Rental of facilities and equipment | 46 261 | 61 311 |
| Licences and permits | 429 492 | 362 879 |
| Miscellaneous other revenue | 891 297 | 346 380 |
| Interest received - investment & consumer debtors | 6 138 722 | 6 623 238 |
| | 28 361 225 | 25 240 994 |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Property rates | 3 616 610 | 3 530 073 |
| Transfer revenue | | |
| Government grants & subsidies | 50 662 232 | 42 468 294 |
| Fines | 874 662 | 160 172 |
| | 55 153 504 | 46 158 539 |
| 21. Service charges | | |
| Sale of electricity | 13 905 200 | 9 804 504 |
| Sale of water | 3 822 720 | 3 749 209 |
| Sewerage and sanitation charges | 3 278 119 | 3 332 460 |
| Refuse removal | 3 164 717 | 2 993 793 |
| Less: Income Foregone | (3 315 303) | (2 032 780) |
| | 20 855 453 | 17 847 186 |
| 22. Rental of facilities and equipment | | |
| Premises | | |
| Premises | 23 927 | 29 293 |
| Venue hire | 22 334 | 32 018 |
| | 46 261 | 61 311 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

23. Property rates

Rates received

| | | |
|----------------------|------------------|------------------|
| Residential | 2 664 669 | 2 594 335 |
| Commercial | 878 079 | 863 228 |
| State | 453 384 | 431 729 |
| Other | 254 125 | 244 206 |
| Less: Income forgone | (633 647) | (603 425) |
| | 3 616 610 | 3 530 073 |

Valuations

| | | |
|--------------------------|--------------------|--------------------|
| Residential | 277 183 500 | 277 183 500 |
| Commercial | 57 787 900 | 57 787 900 |
| State | 27 178 900 | 27 178 900 |
| Municipal | 7 385 340 | 7 385 340 |
| Small holdings and farms | 619 816 575 | 619 816 575 |
| | 989 352 215 | 989 352 215 |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2010. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2014.

24. Employee related costs

| | | |
|--|---------|---------|
| Post-employment benefits - Pension - Defined contribution plan | 614 333 | 566 180 |
|--|---------|---------|

Remuneration of municipal manager

| | | |
|---|----------------|----------------|
| Annual Remuneration | 198 999 | 411 386 |
| Car Allowance | 43 683 | 45 000 |
| Contributions to UIF, Medical and Pension Funds | 2 934 | 5 152 |
| Cell phone | - | 9 000 |
| Leave pay | - | 80 078 |
| | 245 616 | 550 616 |

Remuneration of chief finance officer

| | | |
|---|----------------|----------------|
| Annual Remuneration | 546 863 | 528 271 |
| Contributions to UIF, Medical and Pension Funds | 5 701 | 5 301 |
| Cell Phone | 9 000 | 9 000 |
| | 561 564 | 542 572 |

25. Remuneration of councillors

| | | |
|-----------------|------------------|------------------|
| Executive Major | 627 783 | 599 948 |
| Councillors | 1 560 443 | 1 481 554 |
| Other salaries | 405 643 | 314 401 |
| | 2 593 869 | 2 395 903 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|--|-------------------|-------------------|
| 25. Remuneration of councillors (continued) | | |
| In-kind benefits | | |
| The Executive Mayor is full-time. She is provided with an office and secretarial support at the cost of the Council. | | |
| The Mayor has the use of a Council owned vehicle and a Driver for official duties. | | |
| 26. Depreciation and amortisation | | |
| Property, plant and equipment | 10 117 070 | 10 375 294 |
| 27. Debt impairment | | |
| Contributions to debt impairment provision | (8 945 712) | 50 833 202 |
| Debts impaired | 22 148 156 | - |
| | 13 202 444 | 50 833 202 |
| 28. Bulk purchases | | |
| Electricity | 11 674 660 | 9 860 870 |
| Water | 4 237 134 | 3 936 906 |
| | 15 911 794 | 13 797 776 |
| 29. Contracted services | | |
| Information Technology Services | 422 139 | 547 920 |
| Fleet Services | 2 342 | 8 363 |
| Specialist Services | 98 378 | 14 539 |
| | 522 859 | 570 822 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|--|-------------------|-------------------|
| 30. Government grants and subsidies | | |
| Operating grants | | |
| Equitable share | 28 704 000 | 25 546 000 |
| Municipal Systems Improvement Grant | 800 000 | 790 000 |
| Finance Management Grant | 1 500 000 | 1 500 000 |
| Frances Baard | 7 460 365 | 512 249 |
| Department of Water & Forestry | - | 332 418 |
| Department of Water & Forestry (2) | 126 000 | - |
| Expanded Public Works Program Grant (EPWP) | 1 987 915 | - |
| | 40 578 280 | 28 680 667 |
| Capital grants | | |
| Municipal Infrastructure Grant | 9 859 264 | 6 149 559 |
| Provincial Infrastructure Grant | - | 7 195 317 |
| Library Development Grant | 224 688 | 265 249 |
| Department of Economic Affairs | - | 177 502 |
| | 10 083 952 | 13 787 627 |
| | 50 662 232 | 42 468 294 |

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|-------------------------------|-------------------|-------------------|
| Conditional grants received | 21 958 232 | 16 922 294 |
| Unconditional grants received | 28 303 000 | 25 546 000 |
| | 50 261 232 | 42 468 294 |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Finance Management Grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 1 500 000 | 1 500 000 |
| Conditions met - transferred to revenue | (1 500 000) | (1 500 000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 15).

Municipal Infrastructure Grant

| | | |
|---|-------------------|-------------------|
| Balance unspent at beginning of year | 11 246 321 | 6 597 880 |
| Current-year receipts | 13 099 000 | 10 798 000 |
| Conditions met - transferred to revenue | (9 859 265) | (6 149 559) |
| Forfeited to National Revenue Fund | (401 000) | - |
| | 14 085 056 | 11 246 321 |

Conditions still to be met - remain liabilities (see note 15).

These projects were not completed by yearend and will continue in 2013/14.

Frances Baard District Municipality

| | | |
|--------------------------------------|-----------|---------|
| Balance unspent at beginning of year | 578 726 | 990 549 |
| Current-year receipts | 7 460 365 | 100 425 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|--|----------------|----------------|
| 30. Government grants and subsidies (continued) | | |
| Conditions met - transferred to revenue | (7 460 365) | (512 248) |
| | 578 726 | 578 726 |

Conditions still to be met - remain liabilities (see note 15).

This outstanding amount has to be taken up with Frances Baard to determine the nature of conditions still to be met.

Provincial Infrastructure Grant

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 3 005 723 | 4 270 040 |
| Current-year receipts | - | 5 931 000 |
| Conditions met - transferred to revenue | - | (7 195 317) |
| | 3 005 723 | 3 005 723 |

Conditions still to be met - remain liabilities (see note 15).

New projects need to be identified on which these funds can be spend.

Library Development Grant

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 411 817 | 293 066 |
| Current-year receipts | 254 000 | 384 000 |
| Conditions met - transferred to revenue | (224 688) | (265 249) |
| | 441 129 | 411 817 |

Conditions still to be met - remain liabilities (see note 15).

This grant is given to develop the library. Projects are continuously run to this end and continued into the 2013/14 year.

Expanded Public Works Program (EPWP)

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 2 157 854 | 2 157 854 |
| Current-year receipts | 1 000 000 | - |
| Conditions met - transferred to revenue | (1 987 915) | - |
| | 1 169 939 | 2 157 854 |

Conditions still to be met - remain liabilities (see note 15).

A continuous project is run from this funding to alleviate unemployment in Magareng. It is anticipated that these funds will be utilised in the 2013/14 year on this project.

Various Grants

| | | |
|--------------------------------------|---|-----------|
| Balance unspent at beginning of year | - | 787 758 |
| Written off to various accounts | - | (787 758) |
| | - | - |

Conditions still to be met - remain liabilities (see note 15).

Sundry grants were carried over from as far back as 2004 relating to the Peanut Oil Project and Taxi Rank. Furthermore the amount included expenditure that should have been capitalised in previous years. As no future outflow of funds were anticipated on the funds anymore, the liability was derecognised and the costs were capitalised.

Changes in level of government grants

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

30. Government grants and subsidies (continued)

Based on the allocations set out in the Division of Revenue Act, (Act 2 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

31. General expenses

| | | |
|-----------------------------------|------------------|-------------------|
| Advertising | 57 142 | 155 350 |
| Auditors remuneration | 958 904 | 1 961 303 |
| Bank charges | 151 877 | 106 537 |
| Chemicals | 444 385 | 624 220 |
| Cleaning | 36 377 | 26 173 |
| Consulting and professional fees | 1 156 194 | 475 023 |
| Debt collection | 61 302 | - |
| Electricity | 591 316 | 598 876 |
| Entertainment | 131 758 | 116 496 |
| Fines and penalties | 785 384 | 106 790 |
| Fleet | 838 091 | 777 439 |
| IT expenses | 92 274 | - |
| Insurance | 492 056 | 531 130 |
| Lease rentals on operating lease | 43 678 | - |
| Postage and courier | 8 197 | 37 984 |
| Printing and stationery | 184 681 | 247 351 |
| Protective clothing | 50 493 | 104 589 |
| Sebata | - | 65 991 |
| Special Programs | 389 331 | 2 794 031 |
| Subscriptions and membership fees | 400 000 | 124 086 |
| Sundry Expenses | 215 334 | 286 979 |
| Telephone and fax | 968 159 | 877 810 |
| Training | 233 441 | 230 507 |
| Travel - local | 593 736 | 619 587 |
| | 8 884 110 | 10 868 252 |

32. Investment revenue

Interest revenue

| | | |
|---|------------------|------------------|
| Bank | 216 471 | 288 343 |
| Interest charged on trade and other receivables | 5 918 254 | 6 332 430 |
| Interest received - Eskom | 3 997 | 2 465 |
| | 6 138 722 | 6 623 238 |

33. Auditors' remuneration

| | | |
|------|---------|-----------|
| Fees | 958 904 | 1 961 303 |
|------|---------|-----------|

34. Grants and subsidies paid

Operational Grant Expenditure

| | | |
|-------------------------------------|------------------|------------------|
| Municipal Systems Improvement Grant | 891 177 | 724 036 |
| Frances Baard | 631 008 | 512 249 |
| Financial Management Grant | 1 500 000 | 1 500 000 |
| Library Grant Expenditure | 194 790 | 210 589 |
| DWAF | 110 526 | - |
| EPWP | 1 987 915 | - |
| | 5 315 416 | 2 946 874 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|--|-------------------|------------------|
| 35. Cash generated from operations | | |
| Deficit | (3 954 152) | (45 091 493) |
| Adjustments for: | | |
| Depreciation and amortisation | 10 117 070 | 10 375 294 |
| Actuarial (Gains) /Losses | (195 663) | (178 110) |
| Debt impairment | 13 202 444 | 50 833 202 |
| Movements in operating lease assets and accruals | (5 257) | (13 453) |
| Movements in retirement benefit assets and liabilities | 771 834 | 1 159 076 |
| Movements in provisions | 2 335 336 | - |
| Movement in Bonus & Employee Provision | - | (51 213) |
| Changes in working capital: | | |
| Inventories | (663 096) | (10 479) |
| Receivables from exchange transactions | (1 208) | (16 152 683) |
| Other receivables from non-exchange transactions | 164 086 | (1 464 659) |
| Consumer debtors | (15 563 591) | 5 007 865 |
| Payables from exchange transactions | 8 790 513 | 4 658 548 |
| VAT | (2 781 275) | (4 772 940) |
| Unspent conditional grants and receipts | 1 880 132 | 3 091 052 |
| Consumer deposits | 16 524 | 37 649 |
| | 14 113 697 | 7 427 656 |

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for

| | | |
|---------------------------------|------------|------------|
| • Property, plant and equipment | 23 500 000 | 30 671 245 |
|---------------------------------|------------|------------|

Not yet contracted for and authorised by accounting officer

| | | |
|---------------------------------|------------|-----------|
| • Property, plant and equipment | 33 655 736 | 6 900 000 |
|---------------------------------|------------|-----------|

This committed expenditure relates to Property, Plant and Equipment and will be financed from Government Grants.

37. Related parties

Relationships

Accounting Officer
Members of key management

Refer to accounting officer's report note
H Oberholzer (CFO)

38. Prior period errors

- 1) A creditor relating to Property Plant and Equipment was not provided.
- 2) Debtors' Impairment were increased.
- 3) VAT treatment of various transactions were corrected.
- 4) Municipality's own electricity use was separated from Bulk Purchases.
- 5) Old expenditure relating to sport stadium and hospital road were capitalised to PPE.
- 6) Various balances of creditors were adjusted for June 2012.
- 7) The straightline lease debtor for MTN was raised.
- 8) Actuarial Gain was recalculated after adjusting for omitted payments and receipts in respect of the Post Retirement Medical Aid Liability.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

38. Prior period errors (continued)

- 9) Outstanding interest and penalties in respect of late payments of SARS for PAYE, UIF and SDL were raised.
- 10) Stale cheques in respect of PAYE, UIF and SDL were reversed against the bank account.
- 11) Deposits held by Eskom in favour of the municipality was raised to reflect in the books of account.
- 12) Investment Property has been separated from Property, Plant & Equipment and disclosed separately.
- 13) Cost prices and Depreciation of Property, Plant and Equipment have been restated after updating the Fixed Asset Register.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

| | | |
|--|---|--------------|
| Property, plant and equipment | - | (9 617 674) |
| VAT | - | (870 869) |
| Debtors | - | (35 538 480) |
| Creditors | - | (1 749 166) |
| Unspent Grants | - | (787 758) |
| Opening Accumulated Surplus or Deficit | - | (2 607 960) |
| Bank | - | 1 047 653 |
| Straightline lease debtor | - | 13 453 |
| Investment Property | - | 6 805 174 |

Statement of Financial Performance

| | | |
|-----------------------------|---|-------------|
| Debtors Impairment | - | 34 018 384 |
| Interest Paid | - | 369 555 |
| Salaries | - | (245 845) |
| Actuarial Gain | - | (133 921) |
| Interest Received | - | 2 465 |
| Sundry Income | - | 67 506 |
| Rental of Facilities Income | - | 29 293 |
| Bulk Purchases | - | (1 751 916) |
| General Expenses | - | 700 988 |
| Repairs and Maintenance | - | 2 516 |
| Services Revenue | - | (18 059) |
| Depreciation | - | (388 838) |

39. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern in spite of the deficit it has had for the past two year . This basis presumes that sufficient funds will be available from National -, Provincial- and District Municipality grants to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

40. Unauthorised expenditure

| | | |
|--------------------------|-----------|------------|
| Unauthorised expenditure | 1 474 724 | 34 671 462 |
|--------------------------|-----------|------------|

41. Fruitless and wasteful expenditure

| | | |
|------------------------------------|---------|---------|
| Fruitless and wasteful expenditure | 565 302 | 476 064 |
|------------------------------------|---------|---------|

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

42. Irregular expenditure

| | | |
|---|------------------|----------------|
| Opening balance | 229 601 | 229 601 |
| Add: Irregular Expenditure - current year | 2 257 054 | - |
| | 2 486 655 | 229 601 |

Details of irregular expenditure – current year

| | Disciplinary steps taken/criminal proceedings | |
|--|---|-----------|
| Various contraventions of procurement prescripts | None | 2 257 053 |

43. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

| | | |
|--|-------------|--------------|
| Net deficit per the statement of financial performance | (3 954 152) | (45 091 493) |
|--|-------------|--------------|

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|----------------|-----------|
| Current year subscription / fee | 400 000 | 124 086 |
| Amount paid - current year | (200 000) | (124 086) |
| | 200 000 | - |

Audit fees

| | | |
|---------------------------------|------------------|------------------|
| Opening balance | 1 944 120 | 1 715 502 |
| Current year subscription / fee | 1 034 243 | 1 027 831 |
| Amount paid - previous years | (1 192 617) | (799 213) |
| | 1 785 746 | 1 944 120 |

PAYE and UIF

| | | |
|---------------------------------|----------------|-------------|
| Current year subscription / fee | 2 759 383 | 2 612 304 |
| Amount paid - current year | (2 304 503) | (2 612 304) |
| | 454 880 | - |

Outstanding balance was paid in July 2013

Pension and Medical Aid Deductions

| | | |
|---------------------------------|------------------|---------------|
| Opening balance | 23 184 | - |
| Current year subscription / fee | 6 064 134 | 5 394 909 |
| Amount paid - current year | (5 022 630) | (5 371 725) |
| | 1 064 688 | 23 184 |

Outstanding balance was paid in July 2013

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

44. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

| | | |
|----------------|------------|-----------|
| VAT receivable | 12 258 812 | 9 477 537 |
|----------------|------------|-----------|

SARS has raised queries in respect of Input VAT of various periods and have withheld these refunds. The municipality is in the process to compile the required documentation in order to have queries resolved.

All VAT returns have not been submitted by the due date throughout the year.

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|-----------------|------|------|
|-----------------|------|------|

44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

| 30 June 2013 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|----------------|--|--|---------------|
| G.A. Manopole | (454) | - | (454) |
| L. Louw | 1 305 | 108 | 1 413 |
| L.M. Moleko | 752 | 1 858 | 2 610 |
| E.V. Hans | 1 036 | 11 897 | 12 933 |
| B.V. Ximba | 1 257 | 9 924 | 11 181 |
| S.P. Mnqathula | 1 912 | 30 413 | 32 325 |
| O.M. Maloja | (1 132) | - | (1 132) |
| W.D. Jones | 207 | 435 | 642 |
| W.J. Potgieter | 1 955 | - | 1 955 |
| | 6 838 | 54 635 | 61 473 |

| 30 June 2012 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|--------------------|--|--|---------------|
| G.A. Manopole | (26) | - | (26) |
| L. Louw | 1 227 | 1 875 | 3 102 |
| L.M. Moleko | 817 | 6 263 | 7 080 |
| E.V. Hans | 981 | 10 842 | 11 823 |
| B.V. Ximba | 1 170 | 9 184 | 10 354 |
| S.P. Mnqathula | 1 714 | 24 878 | 26 592 |
| Late H.O. Kgadiete | 898 | 18 527 | 19 425 |
| O.M. Maloja | (270) | - | (270) |
| W.J. Potgieter | 429 | - | 429 |
| | 6 940 | 71 569 | 78 509 |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

| 30 June 2013 | Highest outstanding amount | Aging (in days) |
|--------------------|----------------------------------|--------------------|
| L. Louw | 3 493 | 330 |
| L.M. Moleko | 7 002 | 1 020 |
| E.V. Hans | 12 932 | 1 500 |
| B.V. Ximba | 11 401 | 1 080 |
| S.P. Mnqathula | 32 325 | 2 040 |
| W.D. Jones | 642 | 390 |
| Late H.O. Kgadiete | 19 739 | 1 950 |
| | 87 534 | 8 310 |

| 30 June 2012 | Highest outstanding amount | Aging (in days) |
|--------------|----------------------------------|--------------------|
| L. Louw | 4 043 | 420 |
| L.M. Moleko | 7 080 | 1 050 |
| E.V. Hans | 11 823 | 1 440 |
| B.V. Ximba | 10 355 | 1 080 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

| Figures in Rand | 2013 | 2012 |
|---|---------------|--------------|
| 44. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| S.P. Mngathula | 26 592 | 1 860 |
| Late H.O. Kgadiete | 20 036 | 2 550 |
| | 79 929 | 8 400 |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

45. Statement of comparative and actual information

2013

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|---------------------|--------------------------|-------------------|-------------------------------------|--|
| Financial Performance | | | | | | | | | | | |
| Property rates | 4 269 402 | - | 4 269 402 | - | | 4 269 402 | 3 616 610 | | (652 792) | 85 % | 85 % |
| Service charges | 21 028 695 | 2 413 044 | 23 441 739 | - | | 23 441 739 | 20 855 453 | | (2 586 286) | 89 % | 99 % |
| Investment revenue | 7 252 500 | - | 7 252 500 | - | | 7 252 500 | 6 138 722 | | (1 113 778) | 85 % | 85 % |
| Transfers recognised - operational | 48 211 000 | - | 48 211 000 | - | | 48 211 000 | 50 662 232 | | 2 451 232 | 105 % | 105 % |
| Other own revenue | 1 299 053 | 2 | 1 299 055 | - | | 1 299 055 | 2 241 712 | | 942 657 | 173 % | 173 % |
| Total revenue (excluding capital transfers and contributions) | 82 060 650 | 2 413 046 | 84 473 696 | - | | 84 473 696 | 83 514 729 | | (958 967) | 99 % | 102 % |
| Employee costs | (25 457 503) | (2 378 512) | (27 836 015) | - | - | (27 836 015) | (25 125 481) | - | 2 710 534 | 90 % | 99 % |
| Remuneration of councillors | (3 256 274) | (222 054) | (3 478 328) | - | - | (3 478 328) | (2 593 869) | - | 884 459 | 75 % | 80 % |
| Debt impairment | (54 395 986) | - | (54 395 986) | | | (54 395 986) | (13 202 444) | - | 41 193 542 | 24 % | 24 % |
| Depreciation and asset impairment | (10 274 888) | (5 335) | (10 280 223) | | | (10 280 223) | (10 117 070) | - | 163 153 | 98 % | 98 % |
| Finance charges | (160 000) | - | (160 000) | - | - | (160 000) | (1 001 672) | (841 672) | (841 672) | 626 % | 626 % |
| Materials and bulk purchases | (15 278 741) | - | (15 278 741) | - | - | (15 278 741) | (15 911 794) | (633 053) | (633 053) | 104 % | 104 % |
| Transfers and grants | (3 808 000) | (13 099 000) | (16 907 000) | - | - | (16 907 000) | (5 315 416) | - | 11 591 584 | 31 % | 140 % |
| Other expenditure | (20 472 650) | 192 854 | (20 279 796) | - | - | (20 279 796) | (14 396 799) | - | 5 882 997 | 71 % | 70 % |
| Total expenditure | (133 104 042) | (15 512 047) | (148 616 089) | - | - | (148 616 089) | (87 664 545) | (1 474 725) | 60 951 544 | 59 % | 66 % |
| Surplus/(Deficit) | (51 043 392) | (13 099 001) | (64 142 393) | - | | (64 142 393) | (4 149 816) | | 59 992 577 | 6 % | 8 % |

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

45. Statement of comparative and actual information (continued)

MAGARENG MUNICIPALITY

(Demarcation Code NC093)

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

45. Statement of comparative and actual information (continued)

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|---------------------|---|--------------------------------|---|--|---------------------|--------------------|-----------------------------|-------------------|---|--|
| Actuarial Gain | - | - | - | - | | - | 195 663 | | 195 663 | DIV/0 % | DIV/0 % |
| Surplus (Deficit) after capital transfers and contributions | (51 043 392) | (13 099 001) | (64 142 393) | - | | (64 142 393) | (3 954 153) | | 60 188 240 | 6 % | 8 % |
| Surplus/(Deficit) for the year | (51 043 392) | (13 099 001) | (64 142 393) | - | | (64 142 393) | (3 954 153) | | 60 188 240 | 6 % | 8 % |

Appendix A
June 2013

Schedule of external loans as at 30 June 2010

| Loan Number | Redeemable | Balance at 30 June 2012 | Received during the period | Redeemed written off during the period | Balance at 30 June 2013 | Carrying Value of Property, Plant & Equip Rand | Other Costs in accordance with the MFMA Rand |
|----------------------------------|-------------------|--|---|---|--|---|---|
| | | Rand | Rand | Rand | Rand | | |
| Lease liability | | | | | | | |
| Mercedes Benz Financial Services | | - | 565 607 | 8 623 | 556 984 | 546 017 | - |
| | | - | 565 607 | 8 623 | 556 984 | 546 017 | - |

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

| | Opening Balance | Additions | Revaluations | Other changes, movements | Closing Balance | Opening Balance | Other changes, movements | Depreciation | Closing Balance | Carrying value |
|---------------------------|--------------------|-------------------|----------------|-----------------------------|--------------------|----------------------|--------------------------------|--------------------|---------------------|--------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Land and buildings | | | | | | | | | | |
| Land | 9 290 884 | - | - | - | 9 290 884 | - | - | - | - | 9 290 884 |
| Buildings | 6 239 575 | - | - | - | 6 239 575 | (810 684) | - | (223 032) | (1 033 716) | 5 205 859 |
| | 15 530 459 | - | - | - | 15 530 459 | (810 684) | - | (223 032) | (1 033 716) | 14 496 743 |
| Infrastructure | | | | | | | | | | |
| Roads | 175 384 561 | - | - | (73 362 302) | 102 022 259 | (96 559 689) | 93 964 837 | (3 151 864) | (5 746 716) | 96 275 543 |
| Sewerage | 42 969 302 | - | - | 7 627 999 | 50 597 301 | (17 516 523) | - | (2 203 759) | (19 720 282) | 30 877 019 |
| Electrical | 15 788 961 | - | - | 36 235 749 | 52 024 710 | (9 472 331) | - | (441 600) | (9 913 931) | 42 110 779 |
| Water | 72 306 605 | - | - | 1 215 688 | 73 522 293 | (44 572 676) | - | (2 833 407) | (47 406 083) | 26 116 210 |
| Capital Work in Progress | 9 345 206 | 13 063 041 | - | - | 22 408 247 | - | - | - | - | 22 408 247 |
| | 315 794 635 | 13 063 041 | - | (28 282 866) | 300 574 810 | (168 121 219) | 93 964 837 | (8 630 630) | (82 787 012) | 217 787 798 |
| Community Assets | | | | | | | | | | |
| Land | 1 284 938 | - | - | - | 1 284 938 | - | - | - | - | 1 284 938 |
| Buildings | 2 010 477 | - | - | - | 2 010 477 | (248 405) | - | (67 016) | (315 421) | 1 695 056 |
| Recreational facilities | 779 143 | - | 247 660 | - | 1 026 803 | (31 166) | - | (31 165) | (62 331) | 964 472 |
| | 4 074 558 | - | 247 660 | - | 4 322 218 | (279 571) | - | (98 181) | (377 752) | 3 944 466 |

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013

| Cost/Revaluation | | | | | Accumulated depreciation | | | | |
|-----------------------------|-----------|--------------|--------------------------|-----------------|--------------------------|--------------------------|--------------|-----------------|----------------|
| Opening Balance | Additions | Revaluations | Other changes, movements | Closing Balance | Opening Balance | Other changes, movements | Depreciation | Closing Balance | Carrying value |
| Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Finance Lease Assets | | | | | | | | | |
| Motor Vehicles | - | 565 607 | - | - | 565 607 | - | - | (19 590) | 546 017 |
| | - | 565 607 | - | - | 565 607 | - | - | (19 590) | 546 017 |
| Specialised vehicles | | | | | | | | | |
| Refuse | 1 324 100 | 1 600 000 | - | - | 2 924 100 | (1 021 449) | - | (281 504) | 1 621 147 |
| | 1 324 100 | 1 600 000 | - | - | 2 924 100 | (1 021 449) | - | (281 504) | 1 621 147 |
| Other assets | | | | | | | | | |
| General vehicles | 2 747 838 | 108 000 | - | - | 2 855 838 | (1 710 716) | - | (392 494) | 752 628 |
| Plant & equipment | - | - | - | 12 558 | 12 558 | - | - | - | 12 558 |
| Computer Equipment | 795 679 | 12 885 | - | 121 965 | 930 529 | (563 035) | - | (136 769) | 230 725 |
| Furniture & Fittings | 585 775 | 29 897 | - | 28 828 | 644 500 | (433 992) | - | (86 080) | 124 428 |
| Office Equipment | - | 29 548 | - | 2 400 | 31 948 | - | - | (5 586) | 26 362 |
| Machinery & Equipment | 1 478 984 | - | - | 35 755 | 1 514 739 | (583 135) | - | (122 326) | 809 278 |
| Fixtures to Buildings | - | - | - | 94 055 | 94 055 | - | - | - | 94 055 |
| | 5 608 276 | 180 330 | - | 295 561 | 6 084 167 | (3 290 878) | - | (743 255) | 2 050 034 |

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013

| Cost/Revaluation | | | | | Accumulated depreciation | | | | |
|------------------|--|--|--|--|--------------------------|--|--|--|--|
|------------------|--|--|--|--|--------------------------|--|--|--|--|

| | Opening Balance | Additions | Revaluations | Other changes, movements | Closing Balance | Opening Balance | Other changes, movements | Depreciation | Closing Balance | Carrying value |
|---|--------------------|-------------------|----------------|--------------------------|--------------------|----------------------|--------------------------|---------------------|---------------------|--------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Total property plant and equipment | | | | | | | | | | |
| Land and buildings | 15 530 459 | - | - | - | 15 530 459 | (810 684) | - | (223 032) | (1 033 716) | 14 496 743 |
| Infrastructure | 315 794 635 | 13 063 041 | - | (28 282 866) | 300 574 810 | (168 121 219) | 93 964 837 | (8 630 630) | (82 787 012) | 217 787 798 |
| Community Assets | 4 074 558 | - | 247 660 | - | 4 322 218 | (279 571) | - | (98 181) | (377 752) | 3 944 466 |
| Finance Lease Assets | - | 565 607 | - | - | 565 607 | - | - | (19 590) | (19 590) | 546 017 |
| Specialised vehicles | 1 324 100 | 1 600 000 | - | - | 2 924 100 | (1 021 449) | - | (281 504) | (1 302 953) | 1 621 147 |
| Other assets | 5 608 276 | 180 330 | - | 295 561 | 6 084 167 | (3 290 878) | - | (743 255) | (4 034 133) | 2 050 034 |
| | 342 332 028 | 15 408 978 | 247 660 | (27 987 305) | 330 001 361 | (173 523 801) | 93 964 837 | (9 996 192) | (89 555 156) | 240 446 205 |
| Intangible assets | | | | | | | | | | |
| Computers - software & programming | 791 472 | - | - | - | 791 472 | (237 225) | - | (79 147) | (316 372) | 475 100 |
| | 791 472 | - | - | - | 791 472 | (237 225) | - | (79 147) | (316 372) | 475 100 |
| Investment properties | | | | | | | | | | |
| Investment property | 6 972 351 | - | - | - | 6 972 351 | (167 177) | - | (41 730) | (208 907) | 6 763 444 |
| | 6 972 351 | - | - | - | 6 972 351 | (167 177) | - | (41 730) | (208 907) | 6 763 444 |
| Total | | | | | | | | | | |
| Land and buildings | 15 530 459 | - | - | - | 15 530 459 | (810 684) | - | (223 032) | (1 033 716) | 14 496 743 |
| Infrastructure | 315 794 635 | 13 063 041 | - | (28 282 866) | 300 574 810 | (168 121 219) | 93 964 837 | (8 630 630) | (82 787 012) | 217 787 798 |
| Community Assets | 4 074 558 | - | 247 660 | - | 4 322 218 | (279 571) | - | (98 181) | (377 752) | 3 944 466 |
| Finance Lease Assets | - | 565 607 | - | - | 565 607 | - | - | (19 590) | (19 590) | 546 017 |
| Specialised vehicles | 1 324 100 | 1 600 000 | - | - | 2 924 100 | (1 021 449) | - | (281 504) | (1 302 953) | 1 621 147 |
| Other assets | 5 608 276 | 180 330 | - | 295 561 | 6 084 167 | (3 290 878) | - | (743 255) | (4 034 133) | 2 050 034 |
| Intangible assets | 791 472 | - | - | - | 791 472 | (237 225) | - | (79 147) | (316 372) | 475 100 |
| Investment properties | 6 972 351 | - | - | - | 6 972 351 | (167 177) | - | (41 730) | (208 907) | 6 763 444 |
| | 350 095 851 | 15 408 978 | 247 660 | (27 987 305) | 337 765 184 | (173 928 203) | 93 964 837 | (10 117 069) | (90 080 435) | 247 684 749 |

Appendix D

June 2013

Segmental Statement of Financial Performance for the year ended 30 June 2012 30 June 2013

| Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand | | Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand |
|--------------------------|-------------------------------|-------------------------------|---|--------------------------|-------------------------------|-------------------------------|
| Municipality | | | | | | |
| 27 684 940 | 21 934 257 | 5 750 683 | Executive & Council/Mayor and Council | 31 806 928 | 42 862 134 | (11 055 206) |
| 8 304 226 | 33 698 969 | (25 394 743) | Finance & Admin/Finance | 15 647 091 | 9 453 839 | 6 193 252 |
| 177 502 | 2 861 678 | (2 684 176) | Planning and Development/Economic Development/Plan | - | 2 558 683 | (2 558 683) |
| 296 884 | 826 946 | (530 062) | Comm. & Social/Libraries and archives | 258 382 | 870 977 | (612 595) |
| 765 662 | 2 429 231 | (1 663 569) | Public Safety/Police | 1 304 244 | 2 813 245 | (1 509 001) |
| 74 844 | 654 496 | (579 652) | Sport and Recreation | 22 087 | 356 284 | (334 197) |
| 4 211 192 | 8 834 732 | (4 623 540) | Environmental Protection/Pollution Control | 4 307 353 | 2 395 005 | 1 912 348 |
| 11 854 544 | 10 280 116 | 1 574 428 | Waste Water Management/Sewerage | 4 518 829 | 2 920 316 | 1 598 513 |
| 6 715 411 | 3 892 400 | 2 823 011 | Road Transport/Roads | 9 928 996 | 5 697 510 | 4 231 486 |
| 4 282 602 | 16 435 510 | (12 152 908) | Water/Water Distribution | 4 075 373 | 4 457 134 | (381 761) |
| 10 511 955 | 15 883 771 | (5 371 816) | Electricity /Electricity Distribution | 14 798 162 | 13 887 644 | 910 518 |
| - | 2 239 149 | (2 239 149) | Other/Air Transport | 395 770 | 2 744 597 | (2 348 827) |
| 74 879 762 | 119 971 255 | (45 091 493) | | 87 063 215 | 91 017 368 | (3 954 153) |
| Other charges | | | | | | |
| 74 879 762 | 119 971 255 | (45 091 493) | Municipality | 87 063 215 | 91 017 368 | (3 954 153) |
| 74 879 762 | 119 971 255 | (45 091 493) | Total | 87 063 215 | 91 017 368 | (3 954 153) |

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

| | Current year 2012 Act. Bal. | Current year 2012 Adjusted budget Rand | Variance Rand | Var | Explanation of Significant Variances greater than 10% versus Budget |
|--|-----------------------------------|--|------------------|---------|--|
| Revenue | | | | | |
| Property rates | 3 616 610 | 4 269 402 | (652 792) | (15.3) | Income foregone was not budgeted for |
| Service charges | 20 855 453 | 23 441 739 | (2 586 286) | (11.0) | Inaccurate meter readings |
| Rental of facilities and equipment | 46 261 | 45 000 | 1 261 | 2.8 | |
| Income from agency services | - | 13 250 | (13 250) | (100.0) | Misallocation of Revenue |
| Licences and permits | 429 492 | 425 750 | 3 742 | 0.9 | |
| Miscellaneous other revenue | 891 297 | 64 805 | 826 492 | 275.4 | Unallocated receipts written off to revenue. |
| Fines | 874 662 | 750 250 | 124 412 | 16.6 | Collection of traffic fines exceeded expectation |
| Government grants | 50 662 232 | 48 211 000 | 2 451 232 | 5.1 | |
| Interest received - investment | 6 134 725 | 7 252 500 | (1 117 775) | (15.4) | Old debtors written off which were included in the Interest Budget |
| Interest received - other | 3 997 | - | 3 997 | - | |
| | 83 514 729 | 84 473 696 | (958 967) | (1.1) | |
| Expenses | | | | | |
| Personnel | (25 125 481) | (27 836 015) | 2 710 534 | (9.7) | Key posts not filled for the whole year |
| Remuneration of councillors | (2 593 869) | (3 478 328) | 884 459 | (25.4) | Contracted salaries less than anticipated. |
| Depreciation | (10 117 070) | (10 280 223) | 163 153 | (1.6) | |
| Finance costs | (1 001 672) | (160 000) | (841 672) | 526.0 | Actuarial interest not provided for. |
| Debt impairment | (13 202 444) | (54 395 986) | 41 193 542 | (75.7) | Impairment reduced due to debtors physically written off |
| Repairs and maintenance - General | (4 989 832) | (5 946 646) | 956 814 | (16.1) | Less repairs than anticipated. |
| Bulk purchases | (15 911 794) | (15 278 741) | (633 053) | 4.1 | |
| Contracted Services | (522 859) | (576 000) | 53 141 | (9.2) | |
| Grants and subsidies paid | (5 315 416) | (16 907 000) | 11 591 584 | (68.6) | Capital budget was included. |
| General Expenses | (8 884 108) | (13 757 150) | 4 873 042 | (35.4) | Less expenses incurred due to cash flow constraints |
| | (87 664 545) | (148 616 089) | 60 951 544 | (41.0) | |
| Other revenue and costs | | | | | |
| Actuarial Gain | 195 663 | - | 195 663 | - | |
| | 195 663 | - | 195 663 | - | |
| Net surplus/ (deficit) for the year | (3 954 153) | (64 142 393) | 60 188 240 | (93.8) | |

Appendix E(2)

June 2013

Budget Analysis of Capital Expenditure as at 30 June 2013

| Additions | Revised | Variance | Variance | Explanation of significant |
|----------------------|------------------|------------------|------------------|--|
| Rand | Budget | Rand | % | variances from budget |
| | Rand | | | |
| Municipality | | | | |
| Road Transport/Roads | 9 829 264 | 3 099 000 | 3 269 736 | 25 Contractor removed from site. New contractor to be appointed |
| | 9 829 264 | 3 099 000 | 3 269 736 | 25 |

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2013

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | Quarterly Expenditure | Grants and Subsidies delayed / withheld | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|---|--|--------------------|-----------------------|---|---|--|---|
| | | | | | | Yes/ No | |
| Financial Management Grant | National Treasury | 00 000 | 00 000 | - | | Yes | |
| Equitable Share | National Treasury | 04 000 | 04 000 | - | | Yes | |
| Municipal Infrastructure Grant | | 99 000 | 60 264 | 38 736 | Contractor removed from site. New contractor to be appointed. | No | Contractor removed from site. New contractor to be appointed. Funds thus not spent. |
| Municipal Systems Improvement Grant | National Treasury | 00 000 | 00 000 | - | | Yes | |
| Expanded Public Works Program | National Treasury | 00 000 | 00 000 | - | | Yes | |
| DWAF | Northern Cape Provincial Government | 25 999 | 25 999 | - | | Yes | |
| Library Development Fund | Northern Cape Provincial Government | 54 000 | 24 688 | 29 312 | | No | Insufficient number of projects was done for the year. |
| Frances Baard District Municipality Grant | Frances Baard District Municipality | 60 364 | 60 364 | - | | Yes | |
| | | - | - | - | | | |
| | | - | - | - | | | |
| | | <u>143 363</u> | <u>175 315</u> | <u>168 048</u> | | | |